

Loan Consolidation

- For borrowers with large educational debts, because borrowers can combine multiple educational loans into a single loan.
- Lower monthly payments; up to 30-year repayment period.
- Longer repayment period means more interest paid.
- Borrowers will maintain all interest subsidy benefits applicable to any subsidized loan included as part of a Consolidation loan.
- Choose carefully which loans to consolidate! Borrowers have only 180 days (from the date that the Consolidation loan was made) to add any other eligible loans.

Federal Direct Loan Program

Borrowers with loans through the Federal Direct Loan Program (FDLP) are eligible for the following repayment options:

- Standard Repayment
- Graduated Repayment
- Loan Consolidation
- Extended Repayment
- Income-based Repayment
- Income-contingent Repayment

Whatever loan repayment option you choose, you might find yourself temporarily unable to pay your monthly loan payment. If this happens, contact the holder of your loan immediately! There are options available that may grant you temporary relief, such as:

Deferment - A period of time when a borrower who meets certain criteria can suspend the payment of principal and/or interest. In some situations, the federal government will pay the interest.

Forbearance - An authorized period of time during which the lender agrees to temporarily postpone or reduce a borrower's principal repayment obligation. Forbearances may be granted when a borrower demonstrates good intentions of repaying, but is temporarily unable to do so. Interest payments continue to be the borrower's responsibility.

Study your options . . .

Choose wisely and budget for your loan payment.

Know your rights and responsibilities!

Contact your lender if you have problems repaying your loan.



MICHIGAN
Guaranty Agency

The mission of the Michigan Guaranty Agency is to provide Michigan residents with optimum access to postsecondary educational opportunities through low-interest, long-term educational loans.

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Loan Repayment Options

YOU CAN AFFORD

HIGHER EDUCATION



MICHIGAN
Guaranty Agency

There are many repayment choices available through the Federal Family Education Loan Program (FFELP).

Standard Repayment

- Most common repayment option.
- Best suited for borrowers with loan balances \$10,000 or less — and borrowers with larger loan balances and sufficient income to make monthly payments.
- Faster payoff time and less interest charges.
- Minimum monthly payments of \$50.
- A maximum ten-year repayment period.

After reading the descriptions of the other repayment plans, below is a chart with examples of monthly payments for each plan, the repayment term, amount of interest paid, and total payment. The plan you choose will affect your monthly payment amount, length of repayment, and total amount paid.

Graduated Repayment

- Appeals to borrowers with \$10,000 or more in loans, those who have other financial obligations requiring attention, or those whose incomes start low but increase steadily.
- Payments can be reduced by up to 40% for the first two to four years.
- Maximum repayment period for unconsolidated FFELP loans is ten years.
- Repayment periods for Consolidation loans can be up to 30 years, depending on certain criteria.
- Lower initial payments, but the borrower will pay higher interest costs than the Standard Repayment option.

Extended Repayment

- Available to all first-time borrowers on or after October 7, 1998, with loans totaling \$30,000 or more.
- Loans in repayment have a fixed annual or graduated repayment amount paid over an extended period of time.
- Maximum repayment period is 25 years.

Income-sensitive Repayment

- Payments begin low and increase according to income.
- Attractive to borrowers with loan balances of \$10,000 or more, those at risk of defaulting, or those anticipating initially low incomes which are expected to increase as time passes.
- Allows monthly payments from four (4) percent to 25 percent of gross monthly income.
- Offers ten-year repayment period for unconsolidated loans and up to 30 years for Consolidation loans.
- Repayment terms can be adjusted annually to adapt to income changes, but by reducing early payments and extending the repayment period, long-term interest costs will increase.

Income-based Repayment

- Effective July 1, 2009, Stafford, Grad PLUS, and some Consolidation loan borrowers who meet the definition for Partial Financial Hardship will be able to limit their monthly payment to 15 percent of the amount by which adjusted gross income exceeds 150 percent of the poverty line applicable to the borrower's family size.
- Requires an annual eligibility determination based on the borrower's income.
- Extends the permissible income-based repayment period beyond ten years regardless of size of debt.
- May be canceled after a total of 25 years if borrower qualifies as being economically challenged.

Visit MGA's Web site at www.mgaload.com to view repayment charts or use a loan repayment calculator to estimate your loan payment.

Example 1: Loan Balance = \$15,000 Interest Rate = 6.8%

	Standard	Graduated	Income-Sensitive	Extended	Income-Based	Consolidation
Monthly Payment	\$173	Yr. 1: \$85 Yr. 2-10: \$133 - \$239	Yr. 1: \$100 Yr. 2-10: \$184	n/a	1st - \$113 Max - \$173	\$133
Term	10 years	10 years	10 years	n/a	12.8 years	15 years
Total Interest	\$5,714	\$7,090	\$6,047	n/a	\$8,259	\$9,080
Total Paid	\$20,714	\$22,090	\$21,047	n/a	\$23,259	\$24,080

Example 2: Loan Balance = \$30,000 Interest Rate = 6.8%

Monthly Payment	\$345	Yr. 1: \$170 Yr. 2-10: \$265 - \$478	Yr. 1: \$185 Yr. 2-10: \$369	\$208	1st - \$113 Max - \$345	\$230
Term	10 years	10 years	10 years	25 years	25 years	20 years
Total Interest	\$11,429	\$14,179	\$12,163	\$32,466	\$41,267	\$25,283
Total Paid	\$41,429	\$44,179	\$42,163	\$62,466	\$70,074	\$55,283

Example 3: Loan Balance = \$60,000 Interest Rate = 6.8%

Monthly Payment	\$690	Yr. 1: \$340 Yr. 2-10: \$530 - \$957	Yr. 1: \$355 Yr. 2-10: \$741	\$416	1st - \$113 Max - \$428	\$394
Term	10 years	10 years	10 years	25 years	25 Years	30 years
Total Interest	\$22,858	\$28,359	\$24,395	\$64,933	\$69,429	\$81,897
Total Paid	\$82,858	\$88,359	\$84,395	\$124,933	\$72,560	\$141,897

Note: The Income-sensitive and Income-based Repayment Plans are calculated based on an annual salary of \$30,000 and four percent annual income growth. Income-sensitive Plan includes four (4) percent monthly gross income allocation to the loan payment. Total interest paid over the life of the loan and the term will vary depending on the percentage of income that the borrower chooses to allocate each year to their loan payment. Income-based Plan unpaid balance is forgiven after 25 years.